

# Obligating and Liquidating Title I Funds

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## Definitions

- EDGAR:** *Education Department General Administrative Regulations*; regulations for administering discretionary and formula grants awarded by the US Department of Education.
- Liquidation:** To liquidate an obligation, the purchased item or service has occurred and payment has been made to vendor or provider.
- Obligation:** The amount of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the grantee during the same or a future period.

## Obligating Funds

The following table is taken from EDGAR 76.707 regarding when obligations are made for various kinds of property and services. The obligation needs to be made by June 30<sup>th</sup> to be a cost in the current year for the federal award.

If the obligation is for -	The obligation is made -
<b>(a) Acquisition of real or personal property</b>	On the date on which the State or subgrantee makes a binding written commitment to acquire the property.
<b>(b) Personal services by an employee of the State or subgrantee</b>	When the services are performed.
<b>(c) Personal services by a contractor who is not an employee of the State or subgrantee</b>	On the date on which the State or subgrantee makes a binding written commitment to obtain the services.
<b>(d) Performance of work other than personal services</b>	On the date on which the State or subgrantee makes a binding written commitment to obtain the work.
<b>(e) Public utility services</b>	When the State or subgrantee receives the services.
<b>(f) Travel</b>	When the travel is taken.
<b>(g) Rental of real or personal property</b>	When the State or subgrantee uses the property.
<b>(h) A pre-agreement cost that was properly approved by the Secretary under the cost principles in 2 CFR part 200, Subpart E – Cost Principles</b>	On the first day of the project period.

## Liquidating Funds

Per 2 CFR, Part 200.343, all obligations incurred within the funding period must be liquidated not later than 90 days after the end date of the performance period (or as specified in a program regulation). Accordingly, for Wisconsin LEAs, an obligation that occurred in the current fiscal year prior to June 30<sup>th</sup> must be liquidated by September 30<sup>th</sup> to be charged to a federal award in the current year.

# Obligating and Liquidating Title I Funds

## Reimbursement

Reimbursement of the liquidated expenditure is made upon the filing of a claim with the department. Reimbursement is not requested until the expenditure has occurred and has been paid for (liquidated). The final claim must be filed by September 30 for the July 1 to June 30 funding period just ended.

## Recognizing an Expenditure in the General Ledger

Per the Wisconsin Uniform Financial Accounting Requirements (WUFAR), expenditure-driven programs currently reimbursable are recognized as revenue when the qualifying expenditures have been incurred. Accordingly, an LEA would recognize for state aid purposes, the expenditure when it has been incurred. The expenditure is incurred when the related liability is incurred. So that would not be when the obligation is made or when the funds are spent, but rather when the obligation has been met.

## Recognizing an Expenditure for Federal Single Audit

Per 2 CFR Part 200.502, determination of when an award is expended should be based on when the activity related to the award occurs. Therefore costs are audited in the fiscal year that the actual expenditure or expense transaction occurred.

## Examples

In any given year, a variance can exist between a cost that is claimed for reimbursement on the federal award and the cost that is reported in the general ledger or in the determination of a federal single audit. Following are examples and how they would be treated for grant reimbursement, general ledger reporting and single audit purposes.

Examples	Approved Grant	General Ledger	Fd-Function/Account-Srce/Obj-Proj	Single Audit
1) Contract is signed June 28 with a speaker to provide an in-service for a Schoolwide program on August 20		Obligated		
Work is performed on August 20		Obligation met	2016-17 <b>Debit</b> 10E-XXXXXX-310-141 Expenditure <b>Credit</b> 10B-811200 Accounts Payable	
Payment is made to the contractor on September 10		Liquidation	2016-17 <b>Debit</b> 10B-10-811200 Accounts Payable <b>Credit</b> 10B-711000 Cash	
The 2015-16 final claim is filed for reimbursement on September 30	2015-16	Reimbursement from current year grant	2016-17 <b>Debit</b> 10B-715000 Due from Other Governments <b>Credit</b> 10R-751 Revenue from Federal Sources	2016-17

# Obligating and Liquidating Title I Funds

2)	Staff attend an in-service on August 20	Service performed August 20	Obligated and Obligation met		2016-17	<b>Debit</b> 10E-XXXXXX-100-141 Expenditure <b>Credit</b> 10B-811800 Accrued Payroll Payable	
	Staff stipends are paid on September 15	Service has been paid for	Liquidation		2016-17	<b>Debit</b> 10B-811800 Accrued Payroll Payable <b>Credit</b> 10B-711000 Cash	
	Claim w/ report period ending September 30 is filed on October 5 (To reduce 2014-15 carryover)	Claim has been filed for reimbursement by October 15	Reimbursement	2016-17	2016-17	<b>Debit</b> 10B-715000 Due from Other Governments <b>Credit</b> 10R-751 Revenue from Federal Sources	2016-17
3)	Summer school teacher funded by Title I dollars works July 15-30	Service has been performed	Obligated and obligation met		2016-17	<b>Debit</b> 10E-XXXXXX-100-141 Expenditure <b>Credit</b> 10B-811800 Accrued Payroll Payable	
	The teacher is paid on August 15	Service has been paid for	Liquidation		2016-17	<b>Debit</b> 10B-811800 Accrued Payroll Payable <b>Credit</b> 10B-711000 Cash	
	Claim w/ report period ending September 30 is filed on October 15 (To reduce 2015-16 carryover)	Claim has been filed for reimbursement by October 15	Reimbursement	2016-17	2016-17	<b>Debit</b> 10B-715000 Due from Other Governments <b>Credit</b> 10R-751 Revenue from Federal Sources	2016-17
4)	Instructional materials are ordered on June 15 to be used in the subsequent school year and to be funded with Title I dollars.	Commitment is made with outside vendor prior to June 30	Obligated				
	The materials are received on July 28	Goods received after June 30	Obligation met		2016-17	<b>Debit</b> 10E-XXXXXX-400-141 Expenditure <b>Credit</b> 10B-811200 Accounts Payable	
	Payment is made to the vendor on August 1	Payment for goods made within 90 days	Liquidation		2016-17	<b>Debit</b> 10B-811200 Accounts Payable <b>Credit</b> 10B-711000 Cash	
	The 2015-16 final claim for reimbursement is made on September 30	Claim filed for reimbursement by September 30	Reimbursement	2015-16	2016-17	<b>Debit</b> 10B-715000 Due from Other Governments <b>Credit</b> 10R-751 Revenue from Federal Sources	2016-17